

Montana's Energy Development **Under Governor Schweitzer**

Since July 2007, the creation of the Energy Promotion and Development Office in the Department of Commerce

Wind Farms

Glacier / Rim Wind Farms – July, 2008

NaturEner USA began construction in 2008 on 510 MW of wind power generation near Shelby to be built in three phases. Governor Schweitzer spoke at the official ground breaking of the first phase on July 17, 2008, which will be operational by the end of October 2008. Located in the hills between Cut Bank and Shelby, the first phase will generate 106.5 MW. Another 103.5 MW are planned in phase two to be constructed in 2009.



NaturEner plans to build an additional 300 MW of generation capacity in phase three in 2009 at another nearby wind site known as the Rim Wind Farm to connect to the Montana Alberta Tie Line (MATL) transmission line which is also slated to be constructed in 2009.

Diamond Willow Wind Farm - January, 2008

Montana Dakota Utility's Diamond Willow wind farm near Baker was completed in 2008 and includes 13 turbines with a total capacity of 19.5 MW. The wind farm produces enough energy to power 7,000 residences.



Beaver Creek Wind Farm - March 2008

This proposed wind farm is located north of Reed Point in Stillwater County. Developer Jon Chafin is proposing to construct 100 MW in the first phase of the project consisting of forty 2.5 MW wind turbines. Future phases of the project are designed to develop a total of 300 MW at the site.

Madison Valley Renewable Energy – September, 2008

This project has been given permission from the Madison County Commissioners to erect eight additional test towers on Norris Hill near Ennis. The company has leased enough ground to eventually produce 150 MW.

Martinsdale Wind Farm – September, 2008

Martinsdale Wind Farm LLC, a subsidiary of Horizon Wind Energy, working in cooperation with the Montana Department of Natural Resources and Conservation (DNRC) is developing a wind energy facility of up to 300 megawatts known as the Martinsdale Wind Power Project (Project) in central Montana approximately 20 miles

west of Harlowton, Montana. The multi phase project will initially consist of approximately 36 wind turbine generators producing approximately 60 MW, possibly expanding to 100 wind turbine generators producing up to 300 MW. Horizon expects the first phase to be constructed in 2009.

Sagebrush Energy – September, 2008

Sagebrush Energy is proposing to develop the Norris Hill Wind Project, a small, community sized wind energy project located near Norris Junction in Madison County. The project will provide clean affordable electricity to approximately 7,000 homes in Montana, generated from eight (8) wind turbines with a total capacity of 20 MW.

Wind Programs

Wind for Schools in Montana and the Wind Application Center at MSU – May, 2008

The US Department of Energy has selected Montana as one of five states to participate in the inaugural year of the Wind for Schools Program (WfS). The objective of Wind for Schools is to engage rural America in a discussion of wind energy while encouraging the growth of a knowledge and skill base for development of the wind industry. A 1.8 kW wind turbine will be erected this year at MSU to educate students, teachers and



community members in wind energy through curriculum development and integration. In addition, NorthWestern Energy has awarded WfS a grant of \$46,000 to begin to implement the Program the fall of 2008. The Governor's Office worked closely with WfS to obtain this grant.

Cascade County Shop – July, 2008

A new energy efficient County shop was erected in the summer of 2008 in Cascade County and the facility hosts an Entegri Wind Systems 50-kilowatt wind turbine. The wind turbine will produce an estimated 85% of the county shop's electrical needs.

Natural Gas and Coal-fired Generation Projects

Culbertson Peaking Plant - 2009

Basin Electric Power Cooperative in November 2007 announced the development of a 100 MW natural gas fired peaking plant in Culbertson. An air quality permit application was submitted to the Montana DEQ in September, 2008. A joint environmental assessment (EA) for the Montana DEQ and the USDA Rural Development – Rural Utilities Service will be prepared and it is expected to be completed late 2009 / early 2010.

Anaconda Regulating Plant - February, 2008

NorthWestern Energy announced in February of 2008 its plans to construct a \$206 million natural gas fired load regulation plant near Anaconda. The company has filed

permit applications with the DEQ and PSC in August 2008. The 200 MW plant will be built in two phases consisting of three 50 MW Pratt and Whitney turbines in the first phase with a second phase to be built later. NorthWestern plans to market this as firming power for future Montana wind farms. It is expected to be operational in 2010.

Great Falls Energy Center - February, 2007 and May, 2008

In February, 2007, Montgomery Great Falls Energy Partners LP, an affiliate of Montgomery Energy Partners LP of Magnolia, Texas, formally announced the purchase of assets and permits for Montana First Megawatts from Northwestern Energy. The gas-fired, combined cycle power plant project has been permitted to produce 275 megawatts and could easily be expanded for an additional 275 megawatts. The company is also working on permit for second plant, a \$96 million single cycle peaking plant announced in May, 2008.



Waste Recovery Generation

Flathead Electric Cooperative – Landfill Gas Generation - 2009

Flathead Electric Cooperative is in the process of building a 1.6 Megawatt electric generator that will run using landfill gas. The biomass process will capture and filter landfill gas from the Flathead County Solid Waste District landfill to remove liquid and particulates, then burn it in a 20-cylinder engine. This gas is currently being flared, as required by law.

Ormat /Basin Electric Waste Heat Recovery Project - 2009

Ormat is building a waste heat recovery generation project 10 miles NE of Culbertson, MT. This project recovers heat generated by compressors on Northern Border Pipeline. Ormat will own and operate the project and Basin Electric has contracted to purchase the output for 25 years. The project will generate 5.5 MW and is projected to become operational in October 2009.

Hydropower Generation Projects

Rainbow Dam Hydropower Project – May, 2008

PPL Montana is undertaking this project to raise the existing Missouri dam located near Great Falls 1.5 feet and install new turbines that will add 60 MW of clean power. The project cost is estimated at \$175 million and PPL expects to sign construction contracts in November 2008.



Gibson Dam Hydropower Project – August, 2008

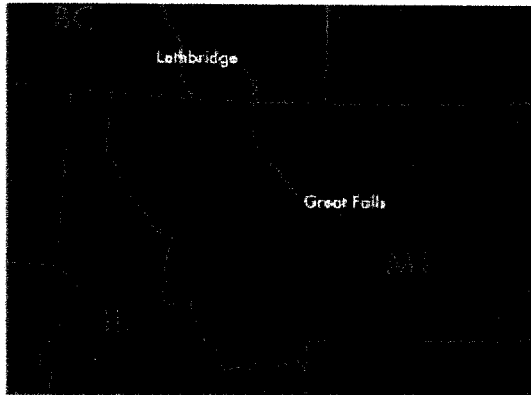
The Gibson Dam on the Sun River on the Rocky Mountain Front near Augusta was originally built in the 1920's and it was designed for electricity generating turbines but they were not installed. Toll

House of Bellingham Washington is conducting this \$25 million project to install the long awaited turbines. The developer is finalizing approvals as of late summer 2008 and the plant will produce 15MW of power.

Transmission Lines

Havre to Rainbow and Wolfe Point to Williston Transmission Upgrades –2008

These two Western Area Power Administration (WAPA) projects will upgrade the existing lines from 161 kV to 230 kV. Wolfe Point to Williston was permitted in 2006 and Havre to Rainbow was permitted in 2008 and both projects will involve transmission improvements constructed over a 10 year period.



MATL – May, 2005 Announced. October 2008 Permitted.

The Montana Alberta Tie Line (MATL) is a 600 MW, 215 mile merchant (private) transmission line connecting Great Falls and Lethbridge, Alberta. The Governor's Office tracked the state and federal permitting process closely which was completed in the fall of 2008. The line is slated to be constructed in 2009.

Northern Lights – October, 2006 Announced. Ongoing monitoring.

TransCanada's NorthernLights Inland Project is a proposed 800 mile high voltage direct current (HVDC) transmission line connecting eastern Montana through Townsend to Las Vegas, Nevada, with target markets in Las Vegas, Southern California and Phoenix. The project will use 500kV bi-pole lines to minimize land impact and provide for a total capacity of 3000 MW. In 2006 Governor Schweitzer signed a Memorandum of Understanding with the states of Idaho and Nevada concerning the development of this project.

MSTI – July, 2008

Mountain States Transmission Intertie (MSTI) is a proposed project from NorthWestern Energy to provide 1,500 MW of new transmission capacity between the Butte area and mid-point Idaho. The company submitted permit applications to the state the first of July, 2008. MSTI is a 500 kV transmission line that would relieve constraints on higher-voltage systems and provide west coast market access to new Montana power generation projects.

The project would be built between substations located near Townsend and Jerome Idaho with an in- service date of 2013.



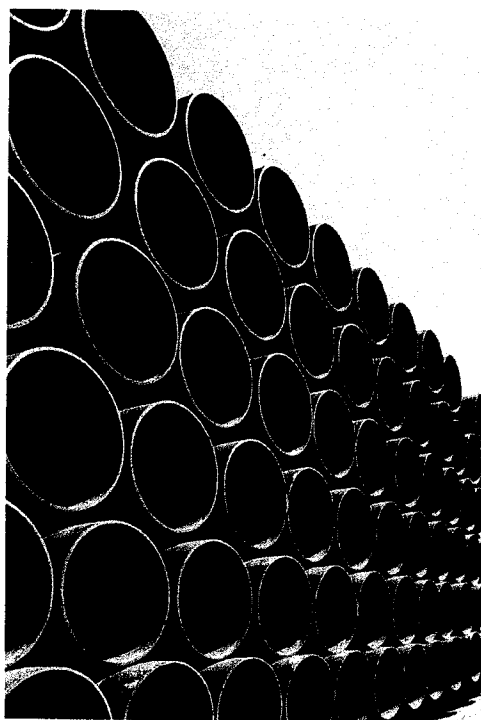
BPA / Colstrip 500 kV Transmission Line Upgrades – September, 2008

NorthWestern Energy is commissioning technical studies on a project to increase the capacity of the existing high voltage transmission line from Colstrip to the west coast by up to 750 MW. NorthWestern is working with EIPD, Pacific Corp, Puget Sound Power, Portland Electric and BPA. Funding agreement studies to move this first phase forward are expected to be done in early 2009.

Pipelines

Enbridge Oil Pipeline Expansion – April, 2006 Announced. Ongoing monitoring.

Governor Schweitzer called a meeting in April 2006, with Wyoming Governor Dave Freudenthal and North Dakota Governor John Hoeven to discuss the regional need for additional infrastructure to get oil to domestic refineries. Inadequate pipeline capacity was resulting in oil price differentials that hurt Montana producers. More than one hundred producers and industry representatives attended that meeting. Enbridge has taken steps to alleviate this bottleneck with two expansion projects. Enbridge's Phase 5 expansion project is a 30,000 bpd expansion project that was completed in 2007. In November Enbridge announced a second expansion. The Phase 6 expansion, with an estimated cost of approximately \$150 million, will add 40,000 bpd of capacity from the western end of the system to Minot, N.D. and 51,000 bpd of capacity from Minot to Clearbrook, Minn. This will markedly increase the capacity to ship oil from Northeast Montana to market. These improvements will increase total system capacity from 110,000 bpd to 161,000 bpd, with an in-service date of late 2009.



Keystone XL Pipeline – July, 2008

TransCanada's Keystone XL Pipeline, announced in the summer of 2008 will transport crude oil 1,980 miles, from Alberta through Montana and on to Nebraska. The Keystone XL is 36" crude oil pipeline and it is an expansion proposal that would connect to the existing Keystone Pipeline; 281 miles of the line will be located in Montana. Total investment in

Montana will be approximately \$1 billion and will result in state and local tax revenues of more than \$50 million annually. Permit applications are expected to be submitted in 2008.

Pathfinder Natural Gas Pipeline – June, 2008

This energy infrastructure project, being developed by TransCanada, is a proposal for a

natural gas pipeline to be built from the U.S. Rockies supply basins to markets in the U.S. Midwest. The 30" – 42" pipeline will move gas north-eastward from the Rockies supply basins, through the southeast corner of Montana, to connect to the Northern Border Pipeline Company system for delivery into the U.S. Midwest. The scheduled in-service date is November 2010.

Bison Natural Gas Pipeline – June, 2008

The Bison Pipeline Project is a proposed major transportation link between the natural gas reserves of the Rocky Mountain area, from the Powder River Basin to natural gas markets in the Midwest and the Chicago area. Bison Pipeline LLC is a wholly owned subsidiary of Northern Border Pipeline Company. TransCanada Northern Border Inc. serves as operator of Bison Pipeline LLC. The project has a targeted in-service date of November 15, 2010. The Bison Project's proposed route follows a portion of the proposed Pathfinder Project. The Pathfinder Project is sponsored by TransCanada Pipeline USA Ltd. During the two project's early review process, environmental activities for Bison and Pathfinder Projects are being coordinated to minimize the impact of the Projects on the land, landowners and other interested parties.

Manufacturing Plants



Chafin/Fuhrländer Wind Turbine manufacturing plant - March, 2008

Chafin/Fuhrländer, an LLC of Jon Chafin and the Fuhrländer AG of Germany, announced they will build a manufacturing plant in Butte to produce 2.5 MW wind turbines. The initial phase would employ 150 people, and the plant could create an additional 600 jobs if they decide to expand and build the 150 foot blades at the site. Construction is expected to commence in 2009.

Coal-to-Liquid Plants

Malmstrom CTL - October, 2007

The US Air Force is working with private industry and the state to develop a 25,000 barrel per day CTL plant at Malmstrom Air Force Base in Great Falls. The Air Force held an industry day open house in January of 2008 and requested qualifications and proposals from interested developers. Interested developers had until the end of May 2008 to submit proposals. The Air Force is currently evaluating the proposals received.

Many Stars CTL – August, 2008

The Crow Tribe announced in August 2008 a partnership with the Australian-American Energy Co., a subsidiary of the Australian Energy Co., to build the Many Stars coal-to-liquid fuels plant outside of Crow



Agency. The project would produce 50,000 barrels per day of diesel and other fuels. The \$7 billion plant would employ up to 4,000 during construction and would create 1,000 permanent jobs.



Bio-Fuel Plants

Great Plains – August, 2007

INEOS Enterprises announced it had entered into a strategic partnership with Great Plains - The Camelina Company - that will see significant growth in the output of Camelina, a non-food oilseed crop used in alternative fuels production. Great Plains has pioneered its use as a key raw material in the production of biodiesel. Great Plains announced in November 2007 that it is moving ahead with plans to build an oilseed crushing facility

and refinery for biodiesel production in Eastern Montana.

Sustainable Oils - November, 2007

Governor Schweitzer along with Senators Baucus and Tester, joined with Targeted Growth, Inc. (TGI), a renewable energy bioscience company, and Green Earth Fuels, a vertically integrated renewable biodiesel energy company, to announce the formation of a joint venture called Sustainable Oils, Inc. The new venture will produce and market up to 100 million gallons of Camelina-based biodiesel by 2010, launching the single largest U.S. contract for the unique biodiesel-specific feedstock. Nearly all of the initial Camelina production is expected to be grown in Montana.

MSU-Northern Bio-fuels lab – May, 2008

This biofuels lab was opened in 2008 and is a state of the art facility located on the MSU-Northern campus in Havre. It tests organic fuel and lubricants to certify that they meet American Society for Testing and Materials standards. The lab can also test fuel additives to see if they will improve fuel quality. Northern will test samples from farmers and post test results on a Web site before it's added to expensive machinery.

AE Biofuels – August, 2008

AE Biofuels, a California based company, working in conjunction with Montana Microbial Products, a Montana based company, opened a 9,000 square foot integrated cellulosic and starch ethanol commercial demonstration facility capable of producing 150,000 gallons of ethanol per year. A possible addition to expand capacity could produce 1.2 million gallons per year.

Coal Production and Mines - 2005-2008

Montana coal production ranks fifth in the United States and hovered under 40 million tons annually for about 15 years beginning in 1988. During Governor Schweitzer's term production has topped 43 million tons annually and is increasing as expanded and new mine development is underway. Upon completion of the Signal Peak mine (see below)

we should reach a 35% increase in production.

Spring Creek – 2005-2007

The Spring Creek Mine owned by Rio Tinto and located near Decker in Big Horn County has increased production from 13.1 tons to 15.7 tons per year between 2005 and 2007. The company has an expansion permit application in process as of late 2008. This new permit would add 2042 acres and 157 million tons of recoverable coal.

Absaloka – March, 2008

Westmoreland Resources Incorporated (WRI) operates the Absaloka Mine in Big Horn County. The currently permitted mining area on the existing Tract III Coal Lease will sustain the current production rate of 6.5 to 7.0 million tons of coal per year only through 2009. A draft EIS was prepared in March 2008 for WRI to extend its mining permit. Within the Tract III Revision area, WRI is seeking approval of the Tract III Revision by MDEQ and OSM, IMDA lease approval, and OSM approval of the South Extension permit application that would add approximately 94 million tons of in-place coal reserves. WRI estimates that 77 million of these tons are recoverable and marketable. This would enable the mine to extend its productive life to 2020 or 2021 at the current production rate of 6.5 to 7.0 million tons per year.

Signal Peak (Bull Mountain) – July, 2008

This new mining operation was announced in July 2008. Signal Peak, located near Roundup, is Montana's only underground mine and is one of the most significant contiguous coal reserves in the United States. The new mine is poised to be the most productive single long-wall mining operation in the nation, with an estimated 15 million tons of coal to be produced per year, 10 million of which is committed to First Energy, one of the partner companies in the project with Boich Companies. According to the companies, the estimated cost to fully develop the mine is \$450 million, including a new coal preparation plant, and the costs associated with constructing a 35-mile rail spur to the Burlington Northern Santa Fe railway line near Broadview. Construction of the rail spur began in July 2008 and is expected to be completed in 2009.



Nelson Creek – 2008

Great Northern Properties has indicated it will be submitting a permit in 2008 or 2009 for a new mine for this site located near to Circle. The company has been studying the feasibility to construct a mine mouth coal gasification plant at this site similar to a project they currently are developing in North Dakota.

Carpenter Creek – September, 2008

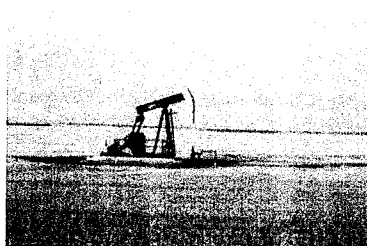
This 250 million ton reserve contains high BTU coal (10,800 - 11,000) located between

Musselshell and Melstone. The developers propose building a 25 mile long rail line to Custer and would operate this as a surface mine. The developer is preparing to submit a mining permit application to MDEQ in late 2008. The developer is looking to sell coal to eastern US markets and to export this coal overseas with annual production in the range of 4 to 4.5 million tons per year and will employ 50 workers.

Initiatives and Delegations

Montana-Alberta Oil and Gas Missions – 2005, 2007

Governor Schweitzer has traveled twice to Canada, once in 2005 and again in October 2007, in order to build partnerships to develop Montana energy and to entice Canadian companies with Montana's tax incentives. The Governor also hosted an energy mission in 2006 traveling with Canadian oil and gas companies to Billings, Baker and Sidney.



Oil and gas production tax agreement – 2008

This agreement is between the Fort Peck Assiniboine and Sioux tribes and the State to split tax proceeds in order to encourage oil and gas production. The agreement was put in place to prevent native landowners from being taxed by both governments. The Governor's Office is working with other tribes to execute similar agreements.

Wind Integration Study - March, 2007

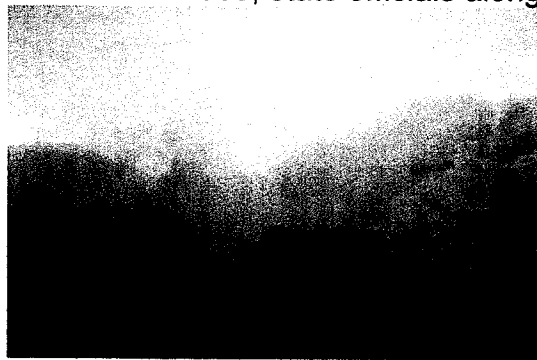
The Governor's Office contributed \$25,000 toward the completion of a wind variability study. The study, finalized in September 2008, is intended to help address issues affecting the ability to integrate more Montana wind into the electricity grid. The Governor's Office partnered with NorthWestern Energy, Montana Alberta Tie Line, WAPA and eight Montana wind developers fund this study.

Iceland Visit to Montana – October 2007

In October of 2007, the Energy Promotion and Development Division, along with Senator Jon Tester, hosting a delegation of financial and engineering experts from Iceland to explore Montana's geothermal resources. Over the course of two days, the delegation met with several developers of potential geothermal projects and discussed all aspects of development from transmission to financial issues. The visit concluded with a formal invitation for a delegation to visit Iceland. A recently completed study by the Massachusetts Institute of Technology projects that the US could obtain 10% of its electricity from geothermal energy.

Iceland Geothermal Mission – March 2008

In March of 2008, state officials along with members of the Public Service Commission and the state legislature, travelled to Iceland to learn more about geothermal energy development. The delegation toured several geothermal power plants, met with government officials, and learned a great deal from industry experts. Iceland, with a population of about 400,000, currently obtains about 25% of its electrical power and heats over 90% of its buildings using geothermal energy.



UN Ambassadors Visit Montana – October 2007

In October 2007, the Governor's Office and the Energy Promotion and Development Division, hosted a delegation of several UN Ambassadors for an educational look at Montana's history and economic future. The three-day visit included meetings with business leaders and educational professionals, a Native American celebration, and "A Conversation on Energy" hosted by Governor Schweitzer. The delegation also enjoyed a reception with state officials.

Harvesting Clean Energy Conference- 2008-2009

In January 2009, Montana will host the 9th Annual Harvesting Clean Energy Conference, the Northwest's premiere gathering to advance rural economic development through clean energy production. Several state officials sit on the planning committee and the co-chair is from the Energy Promotion and Development Division.

Idaho National Laboratory Tour, January - 2008

Governor Schweitzer traveled to the Idaho National Laboratory (INL) in January, 2008 where he toured the facilities of this federal facility noted for its energy technology expertise. The Governor was seeking information as to how the world class resources of this federally supported facility can be utilized to develop Montana energy resources as well as meet his energy efficiency goals. One area of particular interest to the Governor is the work INL is doing related to the development of advanced battery technology and its application for plug-in hybrid electric cars.



Coal Bed Methane Workshop, January - 2008

Governor Schweitzer invited members of the CBM industry along with representatives of state environmental groups to a workshop to discuss ways that CBM can be developed while protecting the environment. The Governor invited a leading expert from the Alberta Unconventional Gas Association to present information on how this issue is

addressed in that Canadian province noted for its immense energy sector. Techniques such as drilling multiple wells from a single platform, water treatment and reinjection were discussed.

National Governor's Association Clean Energy States Grants, June - 2008

The Governor's Office was one of 10 states selected to receive a \$50,000 Clean Energy States Grant. The Governor's Office competed with applications submitted from all across the nation. The funds will be used to support transmission planning.

National Energy Coalitions

Governor Schweitzer has taken an active role in national energy coalitions. This has included the Western Governor's Association (WGA) Clean and Diversified Energy Initiative that in 2006 produced a road map to bring 30,000 MW of new clean energy into the western grid by 2015. Governor Schweitzer also worked hard on the 2008 WGA Transportation Fuels of the Future Report to assure that coal to liquids technology has a rightful place in the mix of fuels that need to be developed to achieve national / regional energy independence as well as environmental goals. The Governor is currently active in the development of the WGA Western Renewable Energy Zones project that will identify areas of high quality renewable energy and the transmission corridors needed to bring those energy resources to load centers. The Governor also signed on to the Western Climate Initiative in December of 2007, joining several other western states in preparing a policy guide to reducing greenhouse gas emissions across the region, with the primary objective of getting the Federal Government to adopt federal standards. In addition, Governor Schweitzer and staff sit on the Governors' Biofuels Coalition and the Governors' Wind Coalition.

DEPARTMENT OF COMMERCE
Energy Promotion and Development Division
2011 Biennium

Legislative Fiscal Division Budget Analysis, Page A-279

PROGRAM CONTACTS

The department, division, program director and chief financial officer for the department, division, program and their contact information are:

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Program Manager	Tom Kaiserski	841-2034	tkaiserski@mt.gov

WHAT THE DIVISION DOES

The Energy Promotion and Development Division (EPDD) was created in 2007 from Governor Schweitzer's commitment to 'clean and green' energy development in Montana. From the outset of his first term in office starting in January of 2005, Governor Schweitzer has emphasized energy development as a key to economic development for Montana. He contends that Montana's abundant energy resources need to be fully, but properly, developed in order to create quality jobs and an increased tax base, which is particularly important to economically struggling Eastern Montana communities.

Our state has abundant natural resources that can be harnessed to develop home-grown, American energy, using American workers. The EPDD is the front-line for energy development in Montana and its staff is poised to assist in all aspects of potential projects. EPDD works directly with other agencies and private developers to facilitate permitting, siting, workforce, and financial assistance.

Our world class energy resources—wind, oil & gas, bio-fuels, bio-mass, major amounts of coal and more—are second to none in the United States and provide us with the opportunity to help the nation to wean itself from foreign oil while creating economic growth opportunities here in Montana. Utilizing these resources, and our business-friendly environment, Montana is poised to lead the nation in clean, green energy development. Through the work of the EPDD, the goals of creating jobs for Montanans, securing the economic future of our tribal partners, and providing home-grown energy to growing populations will become reality.

Mission:

The mission of the Energy Promotion and Development Division is to create jobs and energy security by working directly with private industry and state, federal, and tribal governments to facilitate, promote and develop clean, green energy projects throughout Montana.

The mission centers around promoting and developing additional energy distribution capacity so that potential jobs become actual jobs and Montana's tax base is further enhanced for the benefit of its citizens. Increased distribution capacity also paves the way for clean, green energy creation and utilization. We will work to facilitate the promotion and development of energy infrastructure that will allow the responsible development of Montana's abundant energy resources including wind, bio-fuels, geothermal, biomass and clean coal gasification, liquefaction and power production which use carbon sequestration technologies. We will seek ways to insure that adequate amounts of the electric energy produced at the lowest cost in this state are reserved for Montana's businesses, industries and families.

With the ever-expanding industry of renewable energies, along with the abundant resources found within our borders, it is our vision that the state of Montana will meet or exceed national Renewable Portfolio Standards by creating an atmosphere that encourages long-term, sustaining projects that will provide renewable energy well into the future for all Montanans. Recognizing the important role that coal based energies hold in our portfolio, we envision diverse energy development including clean coal technologies that not only strive to reduce our carbon footprint, but also lessen our dependence on foreign oil supplies.

Goals and Objectives:

The EPDD Division will have two primary goals over the upcoming biennium: 1) facilitate the construction of new or expanded energy transport infrastructure (pipelines and transmission lines) that will enable the development of Montana's vast portfolio of renewable and conventional and or advanced technology / clean coal resources. 2) Facilitate the construction of new or expanded energy production facilities that will be built and that will energize or otherwise utilize the capacity of the energy transport infrastructure that the division will help to be constructed in the state. The facilities could include electricity generation plants using various energy forms such as wind, coal, natural gas and geothermal as well as refineries that process various feed stocks such as biomass, coal and petroleum to produce various products such as liquid transportation fuels.

The objectives or milestones that we will seek to attain in order to achieve those goals include the following:

1. Facilitate the construction of at least one new transmission or pipeline.
2. Facilitate the final permitting of at least one new transmission or pipeline.
3. Facilitate the construction of at least one new or expanded energy production facility.
4. Facilitate the final permitting of at least one new or expanded energy production facility that will be in addition to the facility noted in objective 1.

Budget and Policy Issues (Page A-282)

The following budget or policy issues are included in the division budget submission to the Governor's Office.

NP – 5192 EPDD Energy Division – Reauthorize OTO: The creation of the Energy Promotion and Development Division was funded with a one-time-only general fund appropriation by the 2007 Legislature. This budget request reauthorizes the one-time-only appropriation of \$330,000 for the 2011 biennium to continue the operation of the division. The Governor's original 2011 biennium budget requested an additional \$125,000 for the program in order to add an FTE but that increase has been dropped.

In the 2005 and 2007 regular legislative sessions the legislature has agreed with the Governor's energy development plans in many ways, including passing major policy initiatives to assist with the endeavor. In the May 2007 special session it passed important energy development legislation promoted by the Governor including sweeping property tax incentives in HB3 - the Clean & Green Energy Tax Incentives bill -- for clean energy projects while at the same time the state budget was approved, including \$330,000 to create the Energy Promotion and Development Division within the Department of Commerce.

The division opened its doors in August 2007, with three employees and a half-time administrator. A fourth employee was added in January 2008. The division is partially the result of legislature debates over creation of a state transmission authority that could help finance or coordinate the construction of power lines to encourage new electric power plants in Montana. The Administration did not believe such an authority was needed because it believed that financing of power lines was essentially a private capital issue. An agreement was reached to fund the new division within an existing agency, the Department of Commerce for the purpose of facilitating energy infrastructure development by the private sector. Thus, a new agency was not required.

The division provides additional state government staff to work with the multiple agencies that deal with power lines, pipelines and other infrastructure needs to export energy that could be generated in Montana. There is much work to do developing energy projects and limited state staffing working on energy development prior to creation of the EPDD simply could not get it all done.

SIGNIFICANT ISSUES EXPANDED

(1) Justification:

The division provides additional state government staff to work with the multiple agencies that deal with power lines, pipelines and other infrastructure needs to export energy that could be generated in Montana. There is much work to do developing energy projects and limited state staffing working on energy development prior to creation of the EPDD simply could not get it all done. The division is partially the result of legislature debates over creation of a state transmission authority that could help finance or coordinate the construction of power lines to encourage new electric power plants in Montana. The Administration did not believe such an authority was needed because it believed that financing of power lines was essentially a private capital issue. An agreement was reached to fund the new division within an existing agency, the Department of Commerce for the purpose of facilitating energy infrastructure development by the private sector. Thus, a new agency was not required.

Presently seven states, all located in the western US, have created infrastructure authorities. These include the Colorado Clean Energy Authority, the Idaho Energy Resources Authority, the Kansas Electric Transmission Authority, the New Mexico Renewable Energy Transmission Authority, the North Dakota Transmission Authority, the South Dakota Energy Infrastructure Authority and the Wyoming Infrastructure Authority. The Montana EPDD has joined these other states in a recently formed infrastructure association and is participating in meetings to share information and lessons learned on how to get energy infrastructure developed in each respective state.

The approach of these authorities varies by state, ranging from little funded "bootstrap" operations to the well funded Wyoming Infrastructure Authority that operates on a \$1.7 million biennial budget and administers a \$10 million development account. The purpose of all of these authorities is to help get critical infrastructure projects built such as power transmission lines to move largely renewable energy resources from remote intermountain and upper Great Plains regions to growing load centers in the west. Building large infrastructure projects has become more and more difficult and creation of entities such as the EPDD or the other infrastructure authorities in the West is a response to this difficult challenge. There are many transmission projects being proposed throughout the west and all face difficult environmental and financial challenges such that these 8 western states have seen the need to create dedicated agencies to help support these efforts.

The EPDD has been operating for a year and a half and has only been at full strength for just 5 months. And in that short time EPDD has already developed an impressive list of projects that we are effectively pushing ahead. These include 4 major transmission projects (Montana Alberta Tie Line, Mountain States Transmission Intertie, Colstrip 500 kV upgrades and the Northern Lights HVDC transmission line), the TransCanada and Enbridge oil pipeline projects, coordination of the Section 368 Federal Transmission Corridors comments, 2 potential gas pipeline projects as well as facilitating a wide array of energy generation projects ranging from advanced coal projects such as the Malmstrom CTL and the Many Stars / Crow Reservation coal to liquids projects to tracking over 50 wind energy projects totaling over 5000 MW of power production in the state. The EPDD staff prepared job creation figures for the Governor's Labor Day Report 2008 that show the division's activities have resulted in nearly 500 jobs being created since we have been in operation.

(2) Project Outcomes

The Division's mission centers around promoting and developing additional energy distribution capacity so that potential jobs become actual jobs and Montana's tax base is further enhanced for the benefit of its citizens. Increased distribution capacity also paves the way for clean, green energy creation and utilization. The EPDD is working to facilitate the promotion and development of energy infrastructure that will allow the responsible development of Montana's abundant energy resources including wind, bio-fuels, geothermal, biomass and clean coal gasification, liquefaction and power production which use carbon sequestration technologies when possible.

(3) Performance Criteria:

The EPDD Division will have two primary goals over the upcoming biennium: 1) facilitate the construction of new or expanded energy transport infrastructure (pipelines and transmission lines) that will enable the development of Montana's vast portfolio of renewable and conventional and or advanced technology / clean coal resources. 2) Facilitate the construction of new or expanded energy production facilities that will be built and that will energize or otherwise utilize the capacity of the energy transport infrastructure that the division will help to be constructed in the state. The facilities could include electricity generation plants using various energy forms such as wind, coal, natural gas and geothermal as well as refineries that process various feed stocks such as biomass, coal and petroleum to produce various fuels such as liquid transportation fuels.

(4) Milestones:

The objectives or milestones that we will seek to attain in order to achieve those goals include the following:

1. Facilitate the construction of at least one new transmission or pipeline.
2. Facilitate the final permitting of at least one new transmission or pipeline.
3. Facilitate the construction of at least one new or expanded energy production facility.
4. Facilitate the final permitting of at least one new or expanded energy production facility that will be in addition to the facility noted in objective 1.

(5) FTE:

The division opened its doors in August 2007, with three employees and a part-time administrator. A fourth employee was added in January 2008.

(6) Funding:

The creation of the Energy Promotion and Development Division was funded with a one-time-only general fund appropriation by the 2007 Legislature. This budget request reauthorizes the one-time-only appropriation of \$330,000 for the 2011 biennium to continue the operation of the division. The Governor's original 2011 biennium budget requested an additional \$125,000 for the program in order to add an FTE but that increase has been dropped. Clearly from the outset of the creation of the EPDD there has been the recognition that no task as large and complex as developing important and often large scale energy infrastructure, with which the EPDD is tasked to facilitate, could be accomplished in just two years. Continued funding is needed to realize Montana's energy development goals.

(7) Obstacles:

The opportunities for the EPDD to facilitate energy development are nearly limitless in Montana; however there are many obstacles that the EPDD is working to overcome so that investment in energy projects can occur. These obstacles include environmental and land issues, technology and commercial risk to investors and Montana's remoteness from markets. We believe with careful planning and diligence these obstacles can be overcome.

(8) Risk:

Many of these projects are big, costing in the \$billions and they may take 5 to 7 years to be completed; however EPDD has plowed the ground, prepared the seed bed and now the projects are set to start growing. The state needs to continue funding the EPDD so that it can continue to facilitate new projects and nurture existing projects to completion. If the EPDD is not funded the state runs the risk that the important energy infrastructure work that has begun will not be developed and the state will not enjoy the tax base expansion and job creation benefits that energy development can bring.

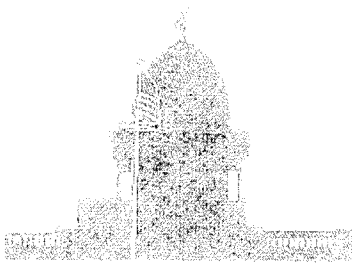


EXHIBIT 1

DATE 1/22/09

HB 2

BOARD OF COMMISSIONERS

325 2nd Avenue North

Great Falls, MT 59401

Tel: (406) 454-6810

Fax: (406) 454-6945

commission@co.cascade.mt.us

www.co.cascade.mt.us

CASCADE COUNTY

December 5, 2008

Montana Legislature
State Capitol
Helena, MT 59601

Ladies and Gentlemen,

I am so jealous...

...of the easy budgetary decision you have facing you. I can't imagine even a millisecond of doubt as you prepare to re-fund the Energy Promotion and Development (EPD) Division of the Montana Department of Commerce.

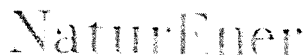
In the two years since you wisely created it, we have grown dependant on Tom Kaiserski and his capable staff to advise us on energy development matters. Indeed, the office's creation has not coincidentally coincided with a burst of activity in transmission and wind energy development in Cascade County and Northcentral Montana.

These are state employees that make my life easier. They have a vital hand in creating wealth for our communities. This is an "If it ain't broke, don't fix it," case if I have ever seen one.

I hope all your decisions are this easy,

Sincerely,

Peggy Beltrone
Commissioner



January 15, 2007

Montana Legislature

Subject: Letter of Support

Dear Montana Legislature:

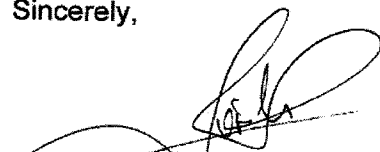
The Energy Promotion and Development (EPD) Division of the Montana Department of Commerce facilitates the promotion, planning, development, economic analysis, and coordination of energy facilities in Montana. The EPD joins seven states; all located in the western U.S., that have created similar offices to help facilitate the development of infrastructure. Building large energy infrastructure projects has become more and more difficult and creation of entities such as the EPD in the West is a response to this difficult challenge.

The EPD has already developed an impressive list of projects that we are effectively pushing ahead. These include 5 major transmission projects (Montana Alberta Tie Line, Mountain States Transmission Intertie, Colstrip 500 kV upgrades, the Northern Lights HVDC transmission line and the Havre to Rainbow rebuild), TransCanada's Keystone XL 36" oil and Pathfinder/Bison natural gas pipeline projects, the Enbridge oil pipeline upgrades serving Eastern Montana oil fields, coordination of the Section 368 Federal Transmission Corridors comments, as well as facilitating a wide array of energy generation projects ranging from advanced coal projects such as the Many Stars CTL project on the Crow Reservation and the Malmstrom CTL project to tracking over 50 wind energy projects totaling over 5000 MW of potential power production in the state. The EPD participated in a geothermal fact finding trip to Iceland in 2008, a country that provides 30% of its electricity from geothermal energy resources and which is ready to export to Montana its knowledge expertise.

The 2009 biennium funding for EPD contained in HB 2 is from "one time only" (OTO) funds. Clearly from the outset of the creation of the EPD Division during the May 2007 special session of the legislature, there has been the recognition that no task as large and complex as developing important and often large scale energy infrastructure, with which the EPD is tasked to facilitate, could be accomplished in just two years. Many of these projects are big, costing billions of dollars and they may take 5 to 7 years to be completed; however EPD has plowed the ground, prepared the seed bed and now the projects are set to grow.

Our company worked with the EPD Division recently on our Glacier 1 wind farm, in Toole County, MT, that we have brought on line as well as others in the area and we have benefitted by the capable assistance it has provided. We support the Department of Commerce's budget proposal to expand funding for the EPD Division so that it can continue to facilitate projects like ours. This is just the kind of government support we need from the State of Montana to help our project to succeed.

Sincerely,



José María Sánchez Seara
Chief Executive Officer



NorthWestern Corporation
d/b/a NorthWestern Energy
40 East Broadway Street
Butte, MT 59701
Telephone: (406) 497-3000
Facsimile: (406) 497-2535
www.northwesternenergy.com

December 19, 2008

Dear Montana Legislature:

For the reasons described in this letter, NorthWestern Energy strongly supports continuation of the Energy Promotion and Development (EPD) Division of the Montana Department of Commerce. We value our partnership with the State of Montana, and believe the EPD is an effective and important tool in advancing the State's critical economic and other relevant interests.

The Energy Promotion and Development Division facilitates the promotion, planning, development, economic analysis and coordination of energy facilities in Montana. Montana is one of eight states, all located in the western US, that have created similar offices to help facilitate the development of infrastructure. Building large energy infrastructure projects has become more and more difficult. The creation of entities such as the EPD in the West is a constructive response to this challenge. In the West's un-organized energy markets, an entity such as the EPD is critical to helping to advance Montana's interests.

With regard to NorthWestern Energy specifically, the EPD was instrumental in helping to organize and host an energy summit in April 2007 in which NorthWestern and stakeholders in the industry came together to discuss the challenges of generation and transmission development in Montana. From that first meeting grew a small work group that has continued to work on these critical issues. We have made good progress in this endeavor.

The EPD has provided a critical venue for NorthWestern to explain its plans for the Mountain States Transmission Intertie, Colstrip 500 kV upgrade and transmission collector system. Without this forum, NorthWestern would not have a credible public mechanism to explain and discuss its transmission projects with the many stakeholders. The EPD was also the platform by which NorthWestern, the Montana Alberta Tie Line ("MATL"), a number of wind project developers, and the state of Montana came together to commission the Genivar Wind Integration Study. While the results of that study effort are fresh, we believe the study will provide the foundation for the industry to better understand the opportunities and challenges associated with further wind generation development in Montana. The EPD has also been instrumental in other efforts, ranging from the coordination of the Section 368 Federal Transmission Corridors comments to facilitating discussions on a wide array of energy generation projects.

The 2009 biennium funding for EPD contained in HB 2 is from "one time only" (OTO) funds. Since the creation of the EPD Division during the May 2007 special session of the Legislature, there has been the recognition that no task as large and complex as developing important energy infrastructure, which the EPD is tasked to facilitate, could be accomplished in just two years. Many of these projects are large, potentially costing billions of dollars and may take a number of years to complete. The potential benefits to Montana are equally large. Thus, the EPD has just begun its important work. NorthWestern Energy sincerely supports the continued efforts.

Letter – Montana Legislature – EPD
December 19, 2008

NorthWestern also supports the Department of Commerce's budget proposal to expand funding for the EPD Division so that it can continue to facilitate appropriate energy infrastructure development in Montana. This is precisely the type support needed from the State of Montana to help our projects and others succeed.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bob Rowe".

Robert C. Rowe
President and CEO

MONTANA ALBERTA TIE LTD



800, 615 Macleod Trail S.E.
Calgary, Alberta, Canada
T2G 4T8

23 December 2008

Dear Montana Legislature:

The Energy Promotion and Development (EPD) Division of the Montana Department of Commerce facilitates the promotion, planning, development, economic analysis, and coordination of energy facilities in Montana. The EPD joins seven states, all located in the western US, that have created similar offices to help facilitate the development of infrastructure. Building large energy infrastructure projects has become more and more difficult and creation of entities such as the EPD in the West is a response to this difficult challenge.

The EPD has already developed an impressive list of projects that we are effectively pushing ahead. These include 5 major transmission projects (Montana Alberta Tie Line, Mountain States Transmission Intertie, Colstrip 500 kV upgrades, the Northern Lights HVDC transmission line and the Havre to Rainbow rebuild), TransCanada's Keystone XL 36" oil and Pathfinder/Bison natural gas pipeline projects, the Enbridge oil pipeline upgrades serving Eastern Montana oil fields, coordination of the Section 368 Federal Transmission Corridors comments, as well as facilitating a wide array of energy generation projects ranging from advanced coal projects such as the Many Stars CTL project on the Crow Reservation and the Malmstrom CTL project to tracking over 50 wind energy projects totaling over 5000 MW of potential power production in the state. The EPD participated in a geothermal fact finding trip to Iceland in 2008, a country that provides 30% of its electricity from geothermal energy resources and which is ready to export to Montana its knowledge expertise.

The 2009 biennium funding for EPD contained in HB 2 is from "one time only" (OTO) funds. Clearly from the outset of the creation of the EPD Division during the May 2007 special session of the legislature, there has been the recognition that no task as large and complex as developing important and often large scale energy infrastructure, with which the EPD is tasked to facilitate, could be accomplished in just two years. Many of these projects are big, costing billions of dollars and they may take 5 to 7 years to be completed; however EPD has plowed the ground, prepared the seed bed and now the projects are set to grow.

Our company worked with the EPD Division since the Division's inception in May 2007. The EPD Division has provided key assistance to our MATL Project and has tailored that assistance as our project has evolved. We support the Department of Commerce's budget proposal to expand funding for the EPD Division so that it can continue to facilitate projects like ours. This is just the kind of government support we need from the State of Montana to help our project succeed.

Sincerely,

A handwritten signature in cursive script that reads "Bob Williams".

Bob Williams
VP Regulatory



Climate Solutions

January 16, 2009

Dear Montana Legislature:

The Energy Promotion and Development (EPD) Division of the Montana Department of Commerce facilitates the promotion, planning, development, economic analysis, and coordination of energy facilities in Montana.

Our organization has worked with the EPD Division, along with some two dozen state and regional partners, to organize the upcoming Harvesting Clean Energy conference set for January 25-27 in Billings. We have benefited tremendously from the capable assistance the EPD Division has provided.

This conference brings 400- 500 farmers and ranchers, economic development and agriculture leaders, and energy project development experts together to advance rural development by developing the state's immense renewable resources and efficiency potentials.

As this conference moves between the Northwest states, and now in its 9th year, we have witnessed the impact this event can have in catalyzing partnerships and deals that bring tens or hundreds of millions of dollars in new investment. The 2009 conference is a special opportunity for Montana to supercharge its clean energy sector and support its innovators to bring new rural economic development to communities through wind, solar, bioenergy, biofuels, geothermal, energy efficiency and infrastructure projects.

The EPD Division has played a critical role in bringing the right players to the table to take advantage of this powerful opportunity to create a galvanizing event for Montana's clean energy sector.

We support the Department of Commerce's budget proposal to extend funding for the EPD Division so that it can continue to facilitate projects like ours. This is just the kind of government support needed from the State of Montana to bring new energy jobs and growth to the state.

Sincerely,

Rhys Roth, Co-Founder and Director of Strategic Innovation
Climate Solutions
Olympia, Washington

GRASSLANDS RENEWABLE ENERGY LLC

December 11, 2008

Montana Legislature
Helena, MT

Re: Permanent Funding of Energy Promotion
and Development Division

Dear Montana Legislature:

I wanted to take a moment to tell you about the personal experience that I have had with the Energy Promotion and Development (EPD) Division of the Montana Department of Commerce. As you know they have been charged with the promotion, planning, development, economic analysis, and coordination of energy facilities in Montana. I am a Montana businessman and the President of a renewable energy and transmission project company headquartered in Bozeman with development plans in Montana and several other states (www.gre-llc.com).

I have found the office to be an incredible help to my work. This assistance has taken many forms—including the facilitation of strategic meetings, assistance with communication to other key stakeholders in the energy field, coordination of policy efforts and strategy, good professional input and strategy suggestions and facilitation of excellent relations with all levels of state government.

I know that the office is also working with other developments, several of which are important potential joint ventures with our project at Grasslands—including the MSTI line, Trans Canada's Chinook project and the 500kv upgrades.

As I understand it the 2009 biennium funding for EPD contained in HB 2 is from "one time only" (OTO) funds. You must consider the source in my recommendation here—but from my perspective there is no doubt that the dollars invested in staffing the office will see significant returns in our state and its economy. Many of these projects listed above, including Grasslands, are quite large and complex and will require 7 to 12 years to create.

I urge you to consider permanent funding for the office and expanding the staff to meet the growing demand being placed on their resources.

Please feel free to contact me if you have any questions or need further information.

Sincerely,

Carl Borgquist
President

1970 Stadium Drive, Ste. 3, Bozeman, MT 59715
Telephone: 406-570-4254 Fax: 406-582-0275
www.gre-llc.com



December 19, 2008
Legislature of Montana
State House
Helena Montana
59620-0400

Dear Sirs:

The Energy Promotion and Development (EPD) Division of the Montana Department of Commerce facilitates the promotion, planning, development, economic analysis, and coordination of energy facilities in Montana. The EPD joins seven states, all located in the western US, that have created similar offices to help facilitate the development of infrastructure. Building large energy infrastructure projects has become more and more difficult and creation of entities such as the EPD in the West is a response to this difficult challenge.

The EPD has already developed an impressive list of projects that we are effectively pushing ahead. These include 5 major transmission projects (Montana Alberta Tie Line, Mountain States Transmission Intertie, Colstrip 500 kV upgrades, the Northern Lights HVDC transmission line and the Havre to Rainbow rebuild), TransCanada's Keystone XL 36" oil and Pathfinder/Bison natural gas pipeline projects, the Enbridge oil pipeline upgrades serving Eastern Montana oil fields, coordination of the Section 368 Federal Transmission Corridors comments, as well as facilitating a wide array of energy generation projects ranging from advanced coal projects such as the Many Stars CTL project on the Crow Reservation and the Malmstrom CTL project to tracking over 50 wind energy projects totaling over 5000 MW of potential power production in the state. The EPD participated in a geothermal fact finding trip to Iceland in 2008, a country that provides 30% of its electricity from geothermal energy resources and which is ready to export to Montana its knowledge expertise.

The 2009 biennium funding for EPD contained in HB 2 is from "one time only" (OTO) funds. Clearly from the outset of the creation of the EPD Division during the May 2007 special session of the legislature, there has been the recognition that no task as large and complex as developing important and often large scale energy infrastructure, with which the EPD is tasked to facilitate, could be accomplished in just two years. Many of these projects are big, costing billions of dollars and they may take 5 to 7 years to be completed; however EPD has plowed the ground, prepared the seed bed and now the projects are set to grow.

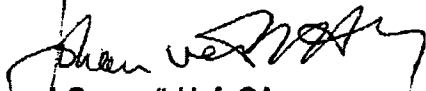
Our company worked with the EPD Division recently on our **MATL project** that we are developing and we have benefitted by the capable assistance it has provided. It is almost impossible to navigate the approvals and other challenges that new project

Waterpark Place, 20 Bay Street, Suite 1100
Toronto, Ontario M5J 2N8
Office 416-850-2150 Fax 416-850-1985

proposals face without such centralized support and assistance. Time and again we found the need for counsel, guidance and advice and found such to be invaluable.

Accordingly, we support the Department of Commerce's budget proposal to expand funding for the EPD Division so that it can continue to facilitate projects like ours. This is just the kind of government support we need from the State of Montana to help our's, and other projects to succeed.

Yours sincerely,



J.C. van 't Hof, CA
Chief executive Officer

Waterpark Place, 20 Bay Street, Suite 1100
Toronto, Ontario M5J 2N8
Office 416-850-2150 Fax 416-850-1985

FORT PECK TRIBES

Assiniboine & Sioux

December 22, 2008

Dear Montana Legislature:

The Fort Peck Tribes have been fortunate to interact with the Montana Department of Commerce, specifically the Energy Promotion and Development (EPD) Division. We applaud the State's efforts to emulate other western states that have developed EPD's to coordinate the massive barriers and constraints in the development of energy infrastructure projects.

The list of projects being driven by the EPD is impressive such as the Montana Alberta Tie Line, the Colstrip 500 kV upgrades, the TransCanada Keystone XL pipeline and several others throughout the state. The Fort Peck Assiniboine and Sioux Tribes are excited that within the next year we will be able to add the "Fort Peck Transmission Connection" to the list of projects under EPD.

Additionally, we are looking forward to expanding on our plans for geothermal and solar production in 2009 and believe the EPD will continue to play a key role for us, similar to 2008.

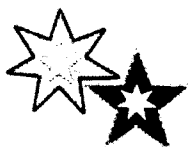
The 2009 biennium funding for EPD contained in HB 2 is from "one time only" (OTO) funds. Clearly, the task of facilitating large scale energy infrastructure assigned to EPD by the Montana State Legislature during the May 2007 special session is a complex undertaking requiring several years and billions of dollars to complete. The Fort Peck Tribes understand the importance of personnel dedicated to developing energy infrastructure.

We support the Department of Commerce's budget proposal and hope to continue working with the quality staff and expand our projects from the conceptual stage to the "turning dirt" phase. The EPD is exactly the kind of government-to-government relationships we need to build success in Indian Country.

Sincerely,



Walter White Tail Feather
Director
Economic Development



Australian – American Energy Company, LLC

12 Greenway Plaza, Suite 1100
Houston, Texas 77046 USA
Telephone: +1 713 425 4920

December 19, 2008

Montana Legislature
Helena, MT 59620

To the Legislators:

I am pleased to express my sincere appreciation of the work that has been done this past year by the Department of Commerce, Energy Infrastructure Promotion and Development Division (EIPD) in support of our Many Stars CTL Project.

The \$7 billion Many Stars CTL Project (see www.ManyStarsCTL.com) will create a significant number of new jobs in Montana and for the Crow people...3,000 to 4,000 jobs during construction and 800-900 permanent jobs after start-up. The project is expected to produce up to 50,000 barrels per day of ultra-clean transportation fuels, including synthetic jet fuel which has been touted by the Air Force for its superior thermal and environmental qualities. The plant will be designed with the latest technology for CO2 capture and geo-sequestration while helping to monetize an otherwise underutilized energy resource that will now contribute toward this country's goal of energy independence in an environmentally responsible manner.

It has been over a year now since Australian-American Energy Company, LLC (AAEC) and the Crow Tribe of Indians (Apsáalooke Nation) signed their original Letter of Intent that led to the execution of the definitive Project Agreement in early August. During that time, Montana's EIPD staff facilitated discussions between the parties, helped keep sensitive negotiations confidential while serving as a liaison with the Governor, and helped with the coordination of the announcement event in Crow Agency on August 8th. In recent months, EIPD has been helpful in gathering various business information that was needed to support the project studies and also has facilitated information flow about the project to the Montana delegation and staff in Washington, DC. All of these activities contributed greatly to the progress that we have made so far on the Many Stars Project.

In the 3 years prior to the Many Stars Project launch, I had visited Montana on numerous occasions in support of CTL project concepts with other resource holders and developers. On every visit, I have been very impressed with the professionalism and business support given by the Montana State staff and managers at all levels...all the way to and including the Governor. It is the excellent government services, like EIPD, individual enthusiasm of the staff and positive business environment as well as the energy resource development opportunities that brings companies like Australian-American Energy Company to Montana.

We look forward to continuing to build on the strong government, business and community relationships we have established as we meet our commitment to a successful Many Stars Project for the Crow Nation and State of Montana.

Sincerely,

Kenneth R. Roberts
Executive Vice President
Corporate Development/CFO



Office of the Vice Chairman

CROW TRIBE EXECUTIVE BRANCH

Bacheeltche Avenue
P.O. Box 159
Crow Agency, Montana 59022
Phone: (406) 638-3732- Fax: (406) 638-3773

Carl Venne
CHAIRMAN

Cedric Black Eagle
VICE CHAIRMAN

Scott Russell
SECRETARY

Darrin Old Coyote
VICE SECRETARY

Dear Montana Legislature:

The Energy Promotion and Development (EPD) Division of the Montana Department of Commerce facilitates the promotion, planning, development, economic analysis, and coordination of energy facilities in Montana. The EPD joins seven states, all located in the western US, that have created similar offices to help facilitate the development of infrastructure. Building large energy infrastructure projects has become more and more difficult and creation of entities such as the EPD in the West is a critical response to this large and complex challenge.

The EPD has already assisted in the development of an impressive list of projects in Montana. This includes 5 major transmission projects (Montana Alberta Tie Line, Mountain States Transmission Intertie, Colstrip 500 kV upgrades, the Northern Lights HVDC transmission line and the Havre to Rainbow rebuild), TransCanada's Keystone XL 36" oil and Pathfinder/Bison natural gas pipeline projects, the Enbridge oil pipeline upgrades serving Eastern Montana oil fields, and coordination of the Section 368 Federal Transmission Corridors comments. The EPD participated in a geothermal fact finding trip to Iceland in 2008, a country that provides 30% of its electricity from geothermal energy resources and which is ready to export to Montana its knowledge expertise. Of particular importance to the Crow Nation and Montana is the EPD's facilitation of an array of energy generation projects, such as advanced coal technology development for the Many Stars coal-to-liquids project on the Crow Reservation. EPD is also working with the CTL proposed at Malmstrom AFB, as well as tracking more than 50 wind energy projects totaling over 5000 MW of potential power production in the state.

The 2009 biennium funding for EPD contained in HB 2 is from "one time only" (OTO) funds. Clearly from the outset of the creation of the EPD Division during the May 2007 special legislative session, there has been the recognition that no task as large and complex as developing important and often large scale energy infrastructure, with which the EPD is tasked to facilitate, could be accomplished in just two years. Many of these projects are enormous, costing billions of dollars and can take as much as 7 years to complete; however EPD has plowed the ground, prepared the seed bed and now the projects are set to grow.

The Crow Nation has worked with the EPD Division over the last year on our Many Stars coal-to-liquids plant currently under development and we have benefitted by the capable assistance the Division has provided. We strongly support the Department of Commerce's budget proposal to expand funding for the EPD Division so that it can continue to facilitate projects like ours. This is just the kind of government support we need from the State of Montana to help Many Stars and other important projects succeed, and ask your assistance to provide funding.

Sincerely,

A handwritten signature in cursive script, appearing to read "Cedric Black Eagle".

Cedric Black Eagle, Vice Chairman
Crow Nation

Pascoe Energy Consulting, LLC

104 Country Club Lane
Butte, MT 59701

Phone: (406)494-2075
Cell: (406) 560-2075
PascoeEnergy@aol.com

December 15, 2008

Dear Montana Legislature:

I am writing to you to express my support for the Energy Promotion and Development Division (EPDD) of the Montana Department of Commerce.

I am a consultant, based in Butte, who works with a variety of clients on energy development projects. My clients include Great Northern Properties who is working to develop its vast eastern Montana coal reserves and Naturener, GreenHunter Energy, and Exergy Development Group, all of whom are developing wind projects in Montana.

It has been my experience that EPDD is playing a very constructive role in the development of new Montana energy projects. EPDD provides useful information to developers about Montana's vast energy resources and introduces developers that may have complementary interests to each other. EPDD has worked hard to facilitate solutions to Montana's transmission and wind integration challenges.

Tom Kaiserski, EPDD program manager, and his staff are always helpful and professional in their dealings with the development community.

I hope that you will continue to fund EPDD and, if possible, provide even greater resources for this valuable program. In my consulting work, I am involved in projects in neighboring states. Wyoming and North Dakota provide substantially more state government support for new energy development. Montana must match those efforts to successfully compete for new investments and secure the associated economic benefits.

Sincerely,



Bill Pascoe